

P-421/CP-87-352 ORDER REQUIRING REVISED COST STUDIES AND PROPOSED  
RATES

BEFORE THE MINNESOTA PUBLIC UTILITIES COMMISSION

Don Storm	Chair
Tom Burton	Commissioner
Marshall Johnson	Commissioner
Cynthia A. Kitlinski	Commissioner
Dee Knaak	Commissioner

In the Matter of the Petition of Certain Subscribers in the Northfield Exchange for Extended Areas Service to the Minneapolis/St. Paul Metropolitan Calling Area	ISSUE DATE: December 14, 1993  DOCKET NO. P-421/CP-87-352
---	---

In the Matter of the Petition of Certain Subscribers in the Cannon Falls Exchange for Extended Areas Service to the Minneapolis/St. Paul Metropolitan Calling Area	DOCKET NO. P-407,421/CP-87-216  ORDER REQUIRING REVISED COST STUDIES AND PROPOSED RATES
---	--

**PROCEDURAL HISTORY**

On January 29, 1992 the Commission issued its ORDER DENYING PETITIONS FOR RECONSIDERATION in the above-entitled extended area service (EAS) dockets and a third related docket dealing with the Hokah EAS petition: Docket No. P-401/CP-89-951. Among other things, that Order required the local exchange companies and interexchange carriers serving the exchanges involved to meet and attempt to develop a workable procedure for measuring traffic on the proposed EAS routes. Since the proposed routes cross LATA boundaries, they are served by multiple interexchange carriers, making accurate traffic data difficult to compile.

The companies, the Department, and Commission staff held several meetings, some by teleconference, to develop a common traffic measurement methodology. The companies submitted their report on September 4, 1992.

On October 6, 1992 the Department filed its report and recommendation, recommending adoption of the companies' proposal. On November 6, 1992, the Commission issued its ORDER APPROVING TRAFFIC STUDY METHODOLOGY AND REQUIRING FURTHER FILINGS.

The Commission received requests for time extensions from the following companies on the dates indicated:

January 20, 1993	U S West Communications, Inc. (USWC)
January 29, 1993	GTE-Minnesota and United Telephone Company
February 1, 1993	Vista Telephone Company (Vista)
February 3, 1993	Eckles Telephone Company (Eckles)

On February 22, 1993, the Commission issued an Order directing the local exchange companies (LECs) serving the MCA (USWC, United, Eckles, GTE, Vista, and Scott-Rice) to file their cost studies and proposed rates within 30 days after receiving from AT&T, Sprint, and MCI additional traffic information regarding toll traffic between Cannon Falls and Northfield and the newly admitted MCA exchanges: Buffalo, Cambridge, and North Branch.

On various dates in the Spring of 1993, the affected LECs filed their cost studies and proposed rates.

On August 31, 1993, the Department filed its comment letter in the Northfield EAS docket: Docket No. P-421/CP-87-352.

On September 28, 1993, the Department filed its comment letter in the Cannon Falls EAS docket: Docket No. P-407, 421/CP-87-216.

No party filed comments in response to the Department's filings, as authorized in the February 22, 1993 Order in this matter.

On December 7, 1993, the Commission met to consider this matter.

### **FINDINGS AND CONCLUSIONS**

Two Commission Orders issued in other dockets subsequent to the filing of the cost studies and proposed rates in the current matters (Northfield and Cannon Falls) require revision of those filings.

#### **1. USWC's Cost of Money**

On November 3, 1993, the Commission issued its ORDER REQUIRING REVISED COST STUDIES AND PROPOSED RATES USING STIPULATED COST OF MONEY FIGURE in the Cotton to Duluth EAS docket, Docket No. P-501, 421/CP-92-41. In that Order the Commission approved a cost of money figure (10.64 percent) that had been stipulated to by USWC and the Department. The Commission clarified that it was beyond the scope of the Cotton proceeding to preapprove use of that new cost of money figure in USWC's future EAS cost study filings. The Commission noted, however, that approval of the 10.64 figure for the Cotton EAS rate-setting proceeding would serve as precedent in such proceedings. The Commission observed that absent the emergence of new developments or countervailing considerations, it was likely that the considerations cited in

the Cotton Order would lead the Commission to approve rates calculated using the 10.64 figure in those future EAS dockets.

In the current dockets, the Commission finds no reason to deviate from the cost of money precedent set in the Cotton Order. The reasons cited for adopting that figure in the Cotton docket apply with equal force in this docket.<sup>1</sup> To bring the current dockets in line with the Cotton precedent, therefore, the Commission will direct USWC to refile its cost studies in the Cannon Falls and Northfield EAS dockets to reflect a 10.64 percent cost of money figure. The remaining affected LECs will be required to revise their proposed rates, reflecting USWC's new cost of money figure.

## 2. Vista's New Access Rates and Cost of Money

The Commission has accepted the access rates and cost of money included in the settlement of Vista's general rate case.<sup>2</sup> Since EAS rates are to be income neutral it is appropriate to use figures that will be used during the period that the rates will be in effect. Therefore, the Commission will require Vista to refile its cost studies and proposed rates for the current dockets to reflect its new access rates and cost of money. Vista's changes, of course, will affect the other LECs and they will need to revise and refile their proposed rates accordingly.

### ORDER

1. Within 30 days of this Order,
  - a. USWC shall refile its cost studies for Cannon Falls and Northfield using a 10.64 percent cost of money figure;
  - b. Vista shall refile its cost studies for Cannon Falls and Northfield using the access rates and cost of money figure recently approved by the Commission in Docket No. P-405/GR-93-2; and

---

<sup>1</sup> For discussion of considerations leading to the conclusion that the 10.64 percent cost of money figure is appropriate for USWC, see In the Matter of a Petition for Extended Area Service From Cotton to Duluth, Docket No. P-501, 421/CP-92-41, ORDER REQUIRING REVISED COST STUDIES AND PROPOSED RATES USING STIPULATED COST OF MONEY FIGURE, page 4.

<sup>2</sup> In the Matter of the Application of Vista Telephone Company of Minnesota for Authority to Increase its Rates for Telephone Service in Minnesota, Docket No. P-405/GR-93-2, ORDER MODIFYING SETTLEMENT AGREEMENT (December 14, 1993).

- c. USWC, Vista, United, Scott-Rice, GTE and Eckles shall refile their proposed rates including the effects of the USWC and Vista cost study changes. The companies shall provide rates that reflect three alternative cost allocations: 75/25, 60/40, and 50/50.
2. Within 20 days after the companies file their revised cost studies and proposed rates pursuant to Ordering Paragraph 1, the Minnesota Department of Public Service (the Department) shall file comments regarding
  - a. the companies' compliance with this Order; and
  - b. the companies' revised cost studies and proposed rates.

If the Department recommends any change to the cost studies or proposed rates, the Department shall file new proposed rates including the three alternative allocations: 75/25, 60/40, and 50/50.

3. After the Department files its comments pursuant to Ordering Paragraph 2, parties shall have 10 days to file final comments.
4. This Order shall become effective immediately.

BY ORDER OF THE COMMISSION

Burl W. Haar  
Executive Secretary

(S E A L)